

What Labor Shortage?

Utah may be in better shape than the rest of the nation as boomers start to retire.



After World War II, a number of changes contributed to a rise in birth rates resulting in what was popularly termed the “Baby Boom.” The approximately 76 million individuals born in this period (between 1946 and 1964) began entering the labor force in the 1970s. It was during this time that the economic effects of this demographic began to surface. According to the Bureau of Labor Statistics (BLS), in 1978 Baby Boomers comprised 45 percent of the labor force.

One of the long-standing labor market issues has been a predicted labor shortage as Baby Boomers reach retirement age in large numbers between 2011 and 2029. There is considerable debate as to how serious an issue these pending retirements will be for the U.S.

economy with so many experienced workers leaving employment in a relatively

short time. This shortage may place a large burden on the remaining workforce and hamper economic growth.

The Utah population has very distinctive demographics compared to the United States because of a persistently higher fertility rate and significant net immigration. High fertility rates generally lead to a bottom-heavy age pyramid, and

Utah has the highest birth rate of any state in the U.S. (see graph). According to the Census Bureau’s annual American Community Survey, there were 55 births per 1,000 women aged 15 to 50 nationally in 2006. The Utah birth rate was 51 percent higher with 83 births per 1,000 women. As a result, the age structure of the Utah labor force is very different from that of the rest of the country (see graph).

In 2006, 40 percent of all workers in the nation were 45 to 64 years of age. In Utah this same figure is much lower, with only 32 percent of the employed aged 45 to 64 years. Comparing younger workers aged 16 to 44, the national proportion was 59 percent and Utah had 67 percent. Clearly Utah’s labor force will not experience as rapid a loss of experienced workers with Boomers retiring, as in the nation as a whole.

The labor shortage is projected to affect certain industries and higher-skilled occupations more than others. Businesses should be prepared to implement some type of plan to retain older workers. Offering more flexible hours to older workers and developing mentoring programs to ensure the transfer of skills, experience and institutional knowledge can accomplish this. Congress passed legislation increasing the age at which retirees can receive full Social Security retirement benefits in 1983, with the intended effect being to inspire workers to stay in the labor force longer. With efforts in both the public and private sectors, the negative effects of the Baby Boomers leaving the workforce can be minimized.

However, if labor shortages develop around the U.S. as many expect, then businesses may have an incentive to locate in Utah where a more abundant and younger labor supply exists, or they may entice Utah workers to leave the state and locate in other parts of the country where their services are needed. ①

2006 Birth Rate per 1,000 Women 15 to 50 Years of Age by State



Source: U.S. Census Bureau, American Community Survey.

Percent of Total Population By Age

U.S. Percent of Total Population by Age: 2006

Ages

Utah Percent of Total Population by Age: 2006

